

# Exhibit 85

ZUF-00108798 (excerpted)

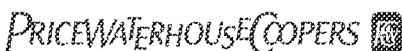
# Zuffa, LLC

## Transfer pricing analysis and report

For fiscal year ended December 31, 2009

*This document is submitted as a DRAFT for your review.*

September 15, 2010

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## 2. Industry analysis

The section below briefly discusses the primary industry in which Zuffa LLC operates: combat sports and mixed martial arts (previously defined as MMA) sports entertainment.

### 2.1. Combat Sports and Mixed Martial Arts

The MMA industry is a sub-industry of combat and martial arts-related sports activities, which was introduced in the U.S. in 1993. MMA is a full contact combat sport, derived from a mixture of martial arts traditions, which allows a wide variety of fighting techniques and skills to be used in competition. The rules allow the use of both striking as well as grappling techniques, both while standing and on the ground. Such competitions allow martial artists of different backgrounds to compete. This industry consists of fight programming and events whose principal sources of income are ticket sales, pay-per-view ("PPV") and View-On-Demand ("VOD") subscriptions, as well as licensing fees from cable television. MMA organizations hold fights at particular venues and sell broadcasting rights to broadcasting companies. DVDs and merchandise, such as apparel, accessories, hats, and posters, are also sold at events and online. MMA has many leagues, of which the most popular in the U.S. and international markets include Zuffa's UFC and WEC, International Fight League ("IFL"), Strikeforce, Bellator, K-1, and Dream.<sup>3</sup>

In the U.S., combat and martial arts-related sports activities constituted a fairly valuable business in the 1970s and 1980s, ranging from boxing and wrestling to karate and jiu-jitsu. All combat and martial arts-related sports activities were divided by style, and boxing in particular was very popular. Because of the separation of distinct styles and techniques, there was disagreement over the superiority of each of the fight codes.

To discover the "best" martial art or combat sport in a fight with minimal rules, the American company SEG introduced UFC in 1993 with a tournament representing fighters from a broad range of martial arts and combat sports. This gave rise to the MMA industry in the U.S.

### 2.2. Industry Market Size and Growth

The first U.S. MMA event in 1993 attracted around 86,000 PPV subscribers.<sup>4</sup> UFC's second event sold over 125,000 PPV subscriptions. During this time, 36 states banned the sport due to its perceived brutality and lack of rules. Due to such opposition campaigns, the MMA

<sup>3</sup> Sports Pool: MMA Leagues, [www.sportspool.com/MMA/mma\\_leagues.php](http://www.sportspool.com/MMA/mma_leagues.php).

<sup>4</sup> Grapple Arts: Mixed Martial Arts: Ultimate Sport, or Ultimately Illegal?  
<http://www.grapplearts.com/Mixed-Martial-Arts-1.htm>

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PPV fights, which had reached an average of nearly 300,000 subscriptions, declined to only 15,000 in 1995.<sup>5</sup>

In 2001, UFC PPV subscriptions totaled around 145,000.<sup>6</sup> Since the introduction of new and stricter fight rules, UFC alone averages approximately 500,000 PPV purchases per fight with an estimated high for a single event of over 1,700,000 PPV subscribers in July 2009.<sup>7</sup> UFC sold a total of 5.1 million PPV buys in 2007.<sup>8</sup> **UFC's annual revenues were more than \$250 million in 2008, capturing about 90 percent of total MMA revenue.**<sup>9</sup> These numbers illustrate the vast growth of the MMA industry since 2001 to become the dominant form of MMA.

In 2006, IFL became a publicly traded company with an initial market capitalization of approximately \$150 million. This valuation indicated a large opportunity for continued future growth in the industry growth.<sup>10</sup>

According to Scarborough Sports Marketing, the market for MMA events primarily consists of young male adults who have strong consumer power.<sup>11</sup> The average UFC event draws three million male viewers between the ages of 18 and 49.<sup>12</sup>

### 2.3. Industry Outlook

Extensive and rapid growth has defined the MMA industry over the past eight years, reflected in the rapid growth of UFC. The most promising signs of growth through 2009 are substantial growth in viewership and ticket sales. Ticket sales in June 2009 were weak likely due to a recessionary macro economy. However, industry analysts contend that the MMA market is full of financially sound individuals with the consumer power to maintain patronage of MMA.<sup>13</sup>

The recent introduction of two MMA leagues, ProElite and HDNet Fights, in the MMA industry assures future growth and tests new income alternatives to PPV. While ProElite broadcasts on CBS, HDNet Fights have been embraced by the cable channel HDNet.<sup>14</sup> These leagues may open up a new source of income for MMA industry and broaden MMA's

<sup>5</sup> Plotz, David, "Fight Clubbed," *Slate.com*, November 17, 1999. [www.slate.com/id/46344](http://www.slate.com/id/46344)

<sup>6</sup> Miller, Matthew, *Forbes Magazine*, "Ultimate Cash Machine," April 10, 2008. [www.forbes.com/forbes/2008/0505/080.html](http://www.forbes.com/forbes/2008/0505/080.html).

<sup>7</sup> MMA News: Analyzing UFC PPV Buylates, June 6, 2010. [www.mmanews.com/forums/general-mma-forum/42504-analyzing-ufc-ppv-buyrates.html](http://www.mmanews.com/forums/general-mma-forum/42504-analyzing-ufc-ppv-buyrates.html)

<sup>8</sup> Miller, Matthew, *Forbes Magazine*, "Ultimate Cash Machine," April 10, 2008.

<sup>9</sup> *Ibid.*

<sup>10</sup> Schorn, Daniel, *60 Minutes*, "Mixed Martial Arts: A New Kind of Fight," July 29, 2007. [www.forbes.com/forbes/2008/0505/080.html](http://www.forbes.com/forbes/2008/0505/080.html).

<sup>11</sup> Scarborough Sports Marketing: MMA Attracts Young Adults with Purchasing Power, November 23, 2009. [www.scarborough.com/press\\_releases/MMA%20Mixed%20Martial%20Arts%20Scarborough%20Sports%20Marketing.pdf](http://www.scarborough.com/press_releases/MMA%20Mixed%20Martial%20Arts%20Scarborough%20Sports%20Marketing.pdf).

<sup>12</sup> Miller, Matthew, *Forbes Magazine*, "Ultimate Cash Machine," April 10, 2008.

<sup>13</sup> Scarborough Sports Marketing: MMA Attracts Young Adults with Purchasing Power, November 23, 2009.

<sup>14</sup> Miller, Matthew, *Forbes Magazine*, "Ultimate Cash Machine," April 10, 2008.